

Message Text

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ACTION EA-12

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AMEMBASSY NEW DELHI
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AMEMBASSY ISLAMABAD

C O N F I D E N T I A L DACCA 0641

E.O. 11652: GDS
TAGS: ETRD ECRP CH BG
SUBJECT: BG AND PRC SIGN SECOND TRADE PROTOCOL

REF: 77 DACCA 4062

BEGIN UNCLASSIFIED

1. A SECOND ONE-YEAR BARTER TRADE PROTOCOL PROVIDING FOR EXCHANGE OF GOODS WORTH U.S. \$20 MILLION BECAUSE BD AND THE PRC WAS SIGNED ON JANUARY 24, 1978 AT DACCA. THE SIGNING CULMINATED FOUR DAYS OF TALKS BETWEEN A FIVE-MEMBER CHINESE DELEGATION LED BY VICE MINISTER FOR FOREIGN TRADE CHENG TO-PIN AND A BD TEAM LED BY COMMERCE SECRETARY MATIUR RAHMAN. UNDER THE AGREEMENT BD WILL EXPORT TO CHINA JUTE AND JUTE GOODS, HIDES AND SKINS, RAYON, NEWSPRINT AND OTHER PAPER PRODUCTS, PULP, CELLOPHANE, PARTICLE BOARD, HARD-BOARD AND UNSHELLED CHASHEW NUTS. THE LAST FIVE OF THESE ITEMS ARE NEW TO THE LIST OF COMMODITIES EXCHANGED BETWEEN THE TWO COUNTRIES UNDER BARTER. IN RETURN BD WILL RECEIVE THE SAME TYPES OF RAW MATERIALS AND GOODS IT
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GOT UNDER THE FIRST PROTOCOL: MILD STEEL BILLETS, PIG IRON CEMENT, COAL, DYES, CHEMICALS, COTTON YARN, TOOLS AND WORKSHOP EQUIPMENT.

2. THE TRADE DISCUSSIONS ALSO COVERED TRADE OUTSIDE THE BARTER AGREEMENT. COMMERCE SECRETARY RAHMAN, EXPLAINING THE TERMS OF THE PROPOTOCOL TO NEWSMEN AFTER

THE SIGNING, SAID THE CHINESE HAD INDICATED THEIR WILL-
INGNESS TO BUY QUOTE AS MUCH AS POSSIBLE UNQUOTE ON A
CASH BASIS FROM BD. HE SAID THE PRC PURCHASED GOODS
WORTH TAKA 10 CRORE (U.S. \$6.7. MILLION) OUTSIDE THE
BARTER AGREEMENT IN 1977. HE FURTHER NOTED THAT AL-
THOUGH BD HAD OFFERED CHINA SUGAR WITHIN THE TERMS OF
THE BARTER, THE CHINESE SAID THEY WOULD PAY CASH FOR
IT. FOR ITS OWN PART, BD CONTEMPLATES PRUCHASING
ITEMS IN ADDITION TO THOSE LISTED IN THE PROTOCOL
AMOUNTING TO U.S. \$2 MIL-
LION. THE COMMERCE SECRETARY
STATED THAT THE PRC HAD ALLOWED THIS AS A DEPARTURE
FROM USUAL PRACTICE.

3. IN HIS PUBLIC STATEMENTS DURING THE VISIT, PRC
DELEGATION LEADER CHENG ECHOED STATEMENTS MADE BY EARLIER
CHINESE VISITORS TO BD EXPRESSING THE PRC'S SOLIDARITY
WITH BD'S EFFORTS TO CONSOLIDATE ITS INDEPENDENCE AND
DEVELOP ITS ECONOMY. HE OBSERVED THAT CHINA AND BD
WOULD HAVE TO LEARN FROM EACH OTHER IN DEVELOPING
THEIR ECONOMIES AND THAT THE TWO COUNTRIES COULD SHARE
EXPERIENCE IN THE FIELDS OF JUTE CULTIVATION AND JUTE
TECHNOLOGY. ON THE BANGLADESHI SIDE MATIUR RAHMAN
SAID THAT THE CHINESE DELEGATION HAD SHOWN QUOTE TRE-
MENDOUS UNDERSTANDING AND GOODWILL UNQUOTE AND THAT
WITHOUT SUCH COOPERATION IT WOULD NOT HAVE BEEN POSSIBLE
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TO CONCLUDE THE AGREEMENT SO QUICKLY.
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4. NEWS REPORTS OF THE TRADE DISCUSSIONS QUOTED A BDG
SPOKESMAN AS SAYING THAT THE FIRST BARTER AGREEMENT HAD
BEEN ALMOST FULLY IMPLEMENTED. HOWEVER WE HAVE RECEIVED
INFORMATION FROM AN EMBASSY SOURCE THAT WHILE BD EX-
PORTED THE AGREED-UPON U.S. \$14 MILLION WORTH OF GOODS
TO CHINA DURING 1977, CHINESE EXPORTS TO BD TOTALED
ONLY \$9 MILLION DURING THE SAME PERIOD. LAST YEAR A
BDG COMMERCE MINISTRY OFFICIAL INFORMED US THAT CHINA
HAS GIVEN MMMXVMOTHER TRADING PARTNERS A BETTER DEAL ON ITS
EXPORTS THAN IT HAS GIVEN BD (REFTEL) THIS COULD BE
ONE REASON FOR THE REPORTED \$5 MILLION GAP BETWEEN BD
EXPORTS AND IMPORTS FROM THE PRC UNDER THE FIRST BARTER AGREEMENT.

5. COMMENT. PUBLIC STATEMENTS UTTERED BY BOTH DELE-
GATION LEADERS DURING THE TRADE TALKS MAINTAINED THE
WARM TONE THAT HAS CHARACTERIZED COMMUNICATIONS BE-TWEEN BD AND THE
PRC AS TIES BETWEEN THE TWO COUNTRIES HAVE
INCREASED. THE NEW AGREEMENT WAS OBVIOUSLY INTENDED

TO CONTINUE ALONG THIS TRACK. IN ADDITION, THE ANNOUNCEMENT OF THE TERMS OF THE NEW AGREEMENT PROVIDED THE BANGLADESHIS WITH AN OPPORTUNITY TO SHOW OFF A WIDER VARIETY OF EXPORT PRODUCTS. IN EXPRESSING HIS SATISFACTION WITH THE AMOUNT AND COMPOSITION OF THREDE ENVISAGED BY THE BARTER AGREEMENT, THE BD COMMERCE SECRETARY POINTED OUT THAT JUTE AND JUTE GOODS WOULD MAKE UP LESS THAN HALF THE TOTAL VALUE OF BD EXPORTS UNDER THE NEW PROTOCOL.

6. HOWEVER, THE REPORTED 5T MILLION DISPARITY BETWEEN BD EXPORTS TO CHINA AND THE ITEMS THEY IMPORTED UNDER THE FIRST BARTAN AGREEMENT TELLS A DIFFERENT STROY. IT WOULD APPEAR THAT THE ACUTUAL TERMS OFFERED BD BY THE CHINESE UNDER THE CONFIDENTIAL

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FIRST TRADE PROTOCOL WERE NOT SUFFICIENTLY ENCOURAGING TO PERSUADE THE BDGS TO IMPORT CHINESE GOODS UP TO THE \$14 MILLION TARGET. IN THIS CONNECTION A NEWSPAPER REPORT PUBLISHED AT THE TIME OF THE CHINESE DELEGATION'S ARRIVAL QUOTES UNNAMED BDG OFFICIALS AS SAYING THAT TRADE BETWEEN THE TWO COUNTRIES WOULD LIKLY INCREASE AS A RESULT OF QUOTE FIRM COMMITMENTS UNQUOTE REGARDING PRODUCT QUALITY AND A SCHEDULE FOR SHIPMENT OF GOODS FROM CHINA. IT MAY BE THAT SUCH A COMMITMENT WAS THOUGHT NECESSARY IN VIEW OF PROBLEMS IN IMPLEMENTING THE FIRST AGREEMENT. IF SUCH IS THE CASE, THE OPTIMISM AND GLOWING PUBLIC ACCLAIM ACCORDED THE NEW AGREEMENT MAY MASK A LESSER DEGREE OF ENTHUSIASM WITH REGARD TO CARRYING OUT ITS TERMS. BERGESEN

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